PIONEER MARINE INC.
AND ITS SUBSIDIARIES

Consolidated Financial Statements for the
Year Ended December 31, 2016

Index to audited consolidated financial statements

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Pioneer Marine Inc.

We have audited the consolidated balance sheet of Pioneer Marine Inc. and subsidiaries (the "Company") as of December 31, 2016, and the related consolidated statement of operation, shareholder's equity, and cash flow for the year then ended.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of the Company as of December 31, 2015, were audited by other auditors whose report dated March 3, 2016, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2016 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America

Ernst & Young

April 7, 2017

Pioneer Marine Inc. and its Subsidiaries
Consolidated balance sheets
(In thousands of U.S. Dollars except per share data)

	Notes	December 31, 2016	December 31, 2015
Assets			
Current			
Cash and cash equivalents	3	59,017	60,003
Restricted cash	9	8,464	5,269
Trade accounts receivable and accrued revenue		1,818	1,946
Inventories	4	1,153	1,227
Prepayments and other receivables		2,006	833
Receivable from shareholder		-	104
Total current assets		**72,458**	**69,382**
Non-current assets			
Vessels, net	5	185,938	157,103
Other fixed assets	5	116	162
Advances for vessels under construction	6	-	69,484
Restricted cash	9	14,341	7,621
Other non-current assets		179	62
Deferred financing cost	9	-	2,132
Total non-current assets		**200,574**	**236,564**
Total assets		**273,032**	**305,946**
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		4,773	5,216
Deferred revenue		1,088	286
Current portion of long term debt, net of deferred finance costs	9	14,148	6,206
Total current liabilities		**20,009**	**11,708**
Non-current liabilities			
Long term debt, net of deferred finance costs	9	94,738	108,114
Total non-current liabilities		**94,738**	**108,114**
Total liabilities		**114,747**	**119,822**

Pioneer Marine Inc. and its Subsidiaries
Consolidated balance sheets
(In thousands of U.S. Dollars except per share data)

	Notes	December 31, 2016	December 31, 2015
Commitments and contingencies	7		
Shareholders' equity	8		
Common Stock, $0.001 par value; 500,000,000 shares authorized; 29,493,703 issued and outstanding as at December 31, 2016 and 30,331,547 as at December 31, 2015.		30	30
Additional paid in capital		297,904	297,904
Treasury Stock, $0.001 par value, 837,844 shares repurchased as at December 31, 2016 and nil as at December 31, 2015		(606)	-
Accumulated deficit		(139,043)	(111,810)
Total shareholders' equity		**158,285**	**186,124**
Total liabilities and shareholders' equity		**273,032**	**305,946**

The accompanying notes are an integral part of these consolidated financial statements.

Pioneer Marine Inc. and its Subsidiaries
Consolidated statements of operations
(In thousands of U.S. Dollars except per share data)

	Notes	Year ended December 31, 2016	Year ended December 31, 2015
Revenue, net	10	**34,702**	**38,132**
Voyage expenses	11	(5,691)	(11,584)
Vessel operating expenses	11	(25,907)	(24,408)
Dry-docking expenses		(572)	(3,421)
Depreciation	5	(8,005)	(11,136)
General and administration expenses		(4,770)	(5,762)
Write off of capitalised expenses	13	(4,409)	(591)
Impairment of vessels	5	(303)	(74,379)
Other expenses and taxes, net	16	(259)	(177)
Total expenses		**(49,916)**	**(131,458)**
Interest expenses and finance cost, net	12	(12,346)	(3,658)
Interest income		327	63
Net loss		**(27,233)**	**(96,921)**
Net loss per share, basic and diluted -$	15	(0.91)	(3.72)

The accompanying notes are an integral part of these consolidated financial statements.

Pioneer Marine Inc. and its Subsidiaries
Consolidated cash flow statements
(In thousands of U.S. Dollars)

	Year ended December 31, 2016	Year ended December 31, 2015
Cash flows from operating activities		
Net loss	(27,233)	(96,921)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	8,005	11,136
Amortization and write off of deferred finance fees	885	1,707
Write off of inventory	-	72
Write off of capitalised expenses	4,409	591
Write off of deferred finance fees and cancellation fees	7,231	-
Write off of receivable from shareholders	104	-
Impairment charge	303	74,379
(Increase)/decrease in operating assets:		
Trade accounts receivable and accrued revenue	128	712
Inventories	74	950
Prepayments and other receivables	(968)	(353)
Other non-current assets	-	-
Increase/(decrease) in operating liabilities:		
Accounts payable and accrued liabilities	700	(502)
Deferred revenue	802	(1,000)
Net cash used in operating activities	**(5,560)**	**(9,229)**
Cash flows from investing activities		
Payments for vessel acquisitions, improvements and vessels under construction	(26,415)	(44,570)
Purchase of other fixed assets	(54)	(85)
Refund from shipbuilding contracts terminated	54,122	-
Increase in receivable from shareholder	-	(2)
Increase in restricted cash	(9,915)	(6,714)
Net cash provided by/ (used in) investing activities	**17,738**	**(51,371)**

Pioneer Marine Inc. and its Subsidiaries
Consolidated cash flow statements
(In thousands of U.S. Dollars)

	Year ended December 31, 2016	**Year ended December 31, 2015**
Cash flows from financing activities		
Loan proceeds	4,750	25,065
Payment of deferred finance fees	(1,330)	(4,303)
Loan repayments	(11,028)	(23,515)
Payment of cancellation and other fees, net of interest income	(4,950)	-
Repurchases of common stock	(606)	-
Proceeds from issuance of common stock	-	24,624
Payment of expenses relating to issuance of common stock	-	(97)
Net cash (used in)/provided by financing activities	**(13,164)**	**21,774**
Net decrease in cash and cash equivalents	**(986)**	**(38,826)**
Cash and cash equivalents at the beginning of the year	60,003	98,829
Cash and cash equivalents at the end of the year	**59,017**	**60,003**
Supplemental disclosure of cash flow information		
Cash interest paid, net of capitalised interest	4,083	1,058
Non cash financing activities		
Loan cancellation fee	-	179
Unpaid deferred finance fees	8	972
Non cash investing activities		
Write off of receivable from shareholders	104	-

The accompanying notes are an integral part of these consolidated financial statements.

Pioneer Marine Inc. and its Subsidiaries
Consolidated statements of shareholders' equity
(In thousands of U.S. Dollars, except number of shares)

	Number of shares	Common stock	Additional paid in capital	Treasury Stock	Accumulated deficit	Total
Balance, January 1, 2015	**23,188,690**	**23**	**273,386**	**-**	**(14,889)**	**258,520**
Issuance of common stock, net (Note 8)	7,142,857	7	24,518	-	-	**24,525**
Net loss for the year	-	-	-	-	(96,921)	**(96,921)**
Balance, December 31, 2015	**30,331,547**	**30**	**297,904**	**-**	**(111,810)**	**186,124**
Repurchase of common stock (Note 8)	(837,844)	-	-	(606)	-	**(606)**
Net loss for the year	-	-	-	-	(27,233)	**(27,233)**
Balance, December 31, 2016	**29,493,703**	**30**	**297,904**	**(606)**	**(139,043)**	**158,285**

The accompanying notes are an integral part of these consolidated financial statements.

1. Basis of Presentation and General Information:

Pioneer Marine Inc. together with its subsidiaries is an international provider of marine transportation of dry bulk commodities on geared Handysize, Handymax and Supramax carriers. Pioneer Marine Inc. was incorporated in the Republic of the Marshall Islands on February 14, 2014.

As of December 31, 2016, Pioneer Marine Inc. owns 100% of the interests of the following subsidiaries:

Company name	Date of incorporation
Pioneer Marine LLC (1)	September 12, 2013
Pioneer Marine Trading LLC (1)	September 23, 2013
Pioneer Marine Acquisitions LLC (1)	September 24, 2013
Pioneer Marine Advisers Pte Ltd. (2)	September 24, 2013
Bay Trading LLC (1)	November 12, 2013
Pioneer Marine Advisers India Pvt Ltd (3)	June 11, 2014
Way Point Marine Inc. (1)	July 24, 2014
Pioneer Marine Hellas SA (1)	July 25, 2014
Pioneer Chartering SA (1)	December 16, 2014

Vessel owning companies

Name	Date of incorporation	Vessel acquisition date	Vessel name	DWT (4)	Year built
PNR Marine Trading I LLC (1)	September 23, 2013	November 1, 2013	Reunion Bay	32,354	2006
PNR Marine Trading II LLC (1)	September 23, 2013	November 11, 2013	Paradise Bay	46,232	2003
PNR Marine Trading III LLC (1)	September 23, 2013	December 2, 2013	Eden Bay	28,342	2008
PNR Marine Trading IV LLC (1)	September 23, 2013	March 4, 2014	Fortune Bay	28,671	2006
PNR Marine Trading V LLC (1)	November 5, 2013	December 2, 2013	Mykonos Bay	32,411	2009
PNR Marine Trading VI LLC (1)	November 5, 2013	January 27, 2014	Emerald Bay	32,258	2008
PNR Marine Trading VII LLC (1)	November 5, 2013	March 10, 2014	Azure Bay	31,700	2005
PNR Marine Trading VIII LLC (1)	December 11, 2013	January 17, 2014	Teal Bay	32,327	2007
PNR Marine Trading IX LLC (1)	December 11, 2013	March 4, 2014	Calm Bay	37,534	2006
PNR Marine Trading X LLC (1)	December 11, 2013	February 14, 2014	Ha Long Bay	32,311	2007
PNR Marine Trading XI LLC (1)	February 6, 2014	April 22, 2014	Jupiter Bay	30,153	2012
PNR Marine Trading XII LLC (1)	February 6, 2014	March 31, 2014	Venus Bay	30,003	2012
PNR Marine Trading XIII LLC (1)	February 6, 2014	March 25, 2014	Orion Bay	30,009	2012
PNR Guoyu I, LLC (1)	September 18, 2013	August 28, 2015	Falcon Bay	38,464	2015
PNR Guoyu II, LLC (1)	September 18, 2013	January 7, 2016	Kite Bay	38,419	2016
PNR Resolute LLC (1)	September 14, 2016	October 11, 2016	Resolute Bay	36,767	2012
PNR Tenacity LLC (1)	April 1, 2014	October 18, 2016	Tenacity Bay	56,842	2008

1. Basis of Presentation and General Information – Continued:

<u>Other Companies</u>

Name	Date of incorporation
PNR Guoyu III, LLC (1)	September 18, 2013
PNR Guoyu IV, LLC (1)	September 18, 2013
PNR Sanfu I LLC (1)	September 24, 2013
PNR Sanfu II LLC (1)	September 24, 2013
PNR Guoyu V LLC (1)	January 20, 2014
PNR Guoyu VI LLC (1)	January 20, 2014
PNR Guoyu VII LLC (1)	January 20, 2014
PNR Guoyu VIII LLC (1)	January 20, 2014
PNR Courage LLC (1)	April 1, 2014
PNR Endurance LLC (1)	April 1, 2014
PNR Perseverance LLC (1)	April 1, 2014

(1) Incorporated under the laws of the Republic of the Marshall Islands.
(2) Incorporated under the laws of Singapore.
(3) Incorporated under the laws of India.
(4) DWT: Dead Weight Ton, a standard measure for dry bulk carriers indicating how much weight a ship can carry.

The Company outsources the technical management and crew management of its vessels to a third-party ship manager. All other vessel management is performed by in-house staff employed by subsidiaries of Pioneer Marine Inc.

2. Significant Accounting Policies:

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The significant accounting policies are set out below.

Principles of consolidation

The consolidated financial statements incorporate the financial statements of the entities listed in Note 1 (the “subsidiaries”). Income and expenses of subsidiaries are included in the consolidated statements of operation from the effective date of acquisition and up to the effective date of disposal, as appropriate. All significant intercompany balances and transactions are eliminated upon consolidation.

Accounting estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. Significant estimates include the residual value and the useful life of vessels.

2. Significant Accounting Policies – Continued:

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits with an original maturity of three months or less and which are not restricted for use or withdrawal.

Restricted cash

Restricted cash reflects deposits in retention or restricted accounts with certain banks that can only be used to pay the current loan instalments and interest or are required to be maintained as certain minimum security deposits and other reserve requirements per mortgaged vessel. Cash required to be maintained as unrestricted liquidity is not considered restricted cash if the relevant account has no restrictions for use or withdrawal.

Trade accounts receivable

Trade accounts receivable reflect receivables from charterers for hire, freight and demurrage billings, net of a provision for doubtful accounts. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts. There has been no provision for doubtful accounts for the years presented.

Foreign currencies

The consolidated financial statements of the Company are presented in U.S. dollars which is the functional currency of Pioneer Marine Inc. and its subsidiaries because the Company's vessels operate in international shipping markets and therefore primarily transact business in U.S. dollars.

Transactions in currencies other than the U.S. dollar are recorded at the rate of exchange prevailing on the dates of the transactions. Any change in exchange rate between the date of recognition and the date of settlement may result in a gain or loss which is recognized in the consolidated statement of operations as incurred. At the end of each reporting period, monetary assets and liabilities denominated in a currency other than the functional currency are retranslated into U.S. dollars at rates prevailing at that date and all resulting exchange differences are recognized in the consolidated statement of operations.

Vessels

Vessels are stated at cost, less impairment and accumulated depreciation. The cost of vessels purchased consists of the contract price, less discounts, plus any direct expenses incurred upon acquisition, broker commission paid, delivery expenses and other expenditures to prepare the vessel for initial voyage. Subsequent expenditures for conversion and major improvements are also capitalised when they appreciably extend the life, increases the earnings capacity or improve the efficiency or safety of the vessels.

Vessels are depreciated on a straight-line basis over the estimated useful life of the vessels which management estimates to be 25 years from the date of initial delivery from the shipyard. Second-hand vessels are depreciated from the date of their acquisition through their remaining estimated useful life. Depreciation is based on cost less the estimated residual value which is the lightweight tonnage ("LWT") of each vessel multiplied by estimated scrap value per ton, which Management estimates to be $250 per LWT.

2. Significant Accounting Policies – Continued:

Long lived assets held for sale

Long lived assets are classified as held for sale when all applicable criteria enumerated under ASC 360 "Property, Plant, and Equipment" are met and are measured at the lower of their carrying amount or fair value less cost to sell. These assets are not depreciated once they meet the criteria to be held for sale.

When the Company concludes a Memorandum of Agreement for the disposal of a vessel which has yet to complete a time charter, it is considered that the held for sale criteria discussed in guidance are not met until the time charter has been completed as the vessel is not available for immediate sale. As a result, such vessels are not classified as held for sale.

When the Company concludes a Memorandum of Agreement for the disposal of a vessel which has no time charter to complete or a contract that is transferable to a buyer, it is considered that the held for sale criteria discussed in the guidance are met. As a result, such vessels are classified as held for sale.
As at December 31, 2016 and December 31, 2015 there were no vessels classified as held for sale.

Advances for vessel acquisitions and vessels under construction

Advances paid for vessel acquisitions and vessels under construction are presented at cost, less identified impairment losses, if any. Advances for vessel acquisition include advances and other directly attributable costs, including commissions, if any. Advances for vessels under construction include shipyard instalment payments and other costs incurred during the construction period that are directly attributable to the acquisition or construction of the vessels, net of any commissions or discounts received from the shipyard and include interest costs incurred during the construction period. Vessels under construction are not depreciated until such time as they are ready for use. On delivery of the vessel, the related cost is transferred to vessels and accounted for in accordance with the accounting policy for vessels.

Impairment of long-lived assets

The Company reviews its tangible fixed assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

In evaluating useful lives and carrying values of long-lived assets, the Company reviews certain indicators of potential impairment, such as market values, vessel sales and purchases, business plans and overall market conditions. If indicators of impairment are present, the Company performs an analysis of the anticipated undiscounted future net cash flows of the related long-lived assets.

In developing estimates of future undiscounted cash flows, the Company makes assumptions and estimates about the vessels' future performance, with the significant assumptions being related to charter rates, fleet utilization, operating expenses, capital expenditures, residual value and the estimated remaining useful life of each vessel.

The assumptions used to develop estimates of future undiscounted cash flows are based on historical trends as well as future expectations. To the extent impairment indicators are present, the Company determines undiscounted projected net operating cash flows for each vessel and compares them to their carrying value.

If the carrying value of the related asset exceeds the undiscounted future net cash flows, the carrying value is reduced, by recording a charge to operations, to its fair value.

2. Significant Accounting Policies – Continued*:*

Revenue

Revenue, which is presented net of commissions to charterers (address commissions), is recognized when an agreement exists, the vessel is made available to the charterer or services are provided, the charter hire rate is determinable and collection of the related revenue is reasonably assured.

Vessel revenue is comprised of time charter revenue and voyage revenue.

(a) Time charter revenue is recognized rateably over the term of the charter as service is provided, excluding any off-hire period. Time charter revenues received in advance of the provision of charter service are recorded as deferred income and recognized when the charter service is rendered.

(b) Voyage charter agreements are charter hires, where a contract is made in the spot market for the use of a vessel for a specific voyage, for a specified charter rate. Revenue from voyage charter agreements is recognized on a pro rata basis based on the relative transit time in each period. The period over which voyage revenues are recognized commences at the time the vessel departs from its last discharge port and ends at the time the discharge of cargo at the next discharge port is completed, however, the Company does not begin recognizing revenue until a charter has been agreed with the charterer, even if the vessel has discharged its cargo and is sailing to the anticipated load port on its next voyage. Demurrage income represents payments by the charterer to the vessel owner when loading or discharging time exceeds the stipulated time in the voyage charter and is recognized when earned and collection is reasonably assured. Dispatch expense represents payments by the Company to the charterer when loading or discharging time is less than the stipulated time in the voyage charter and is recognized as incurred. Voyage charter revenue relating to voyages in progress as of the balance sheet date are accrued and presented within trade accounts receivable and accrued revenue in the consolidated balance sheet.

Major charterers: Only one charterer accounted for more than 10% of the Company’s charter revenue for the year ended December 31, 2016 and none of the charterers accounted for more than 10% of the Company’s charter revenue for the year ended December 31, 2015.

Voyage expenses

Voyage expenses, which primarily include bunkers (fuel oil used to operate a vessel's engines, generators and boilers), port charges, canal tolls, cargo handling operations, war risk insurances and brokerage commissions paid by the Company under voyage charters are expensed as incurred. Voyage expenses also include losses from the sale of bunkers to charterers and bunkers consumed during time charter off-hire periods and while travelling to and from dry-docking.

Vessel operating expenses

Vessel operating expenses, which include crewing, repairs and maintenance, insurance, spares and consumable stores, lube oils and communication expenses are expensed as incurred.

Additionally, these costs include technical management fees that are payable to our technical ship managers.

2. Significant Accounting Policies – Continued*:*

Dry-docking and special survey expenses

Dry-docking and special survey expenses are expensed in the period incurred.

Inventories

Inventories consist of bunker fuel on board when vessels are unemployed or are operating under voyage charters and lubricating oils on board vessels. Inventories are stated at the lower of cost and market. Cost is determined using the first in first out method. Stores and spares are charged to vessel operating costs when purchased.

Segment reporting

Each of the Company's vessels serve the same type of customer, have similar operations and maintenance requirements, operate in the same regulatory environment, and are subject to similar economic characteristics. Based on this, the Company's Chief Operating Decision Maker, which is the CEO, reviews operating results as one operating segment. Furthermore, when the Company charters a vessel to a charterer, the charterer is free to trade the vessel worldwide and, as a result, the disclosure of geographic information is impracticable.

Other comprehensive income/(loss)

The Company follows the accounting guidance relating to comprehensive income, which requires separate presentation of certain transactions that are recorded directly as components of equity. The Company has no other comprehensive income/(loss) and accordingly, comprehensive loss equals the net loss for the period/year presented and thus is not presented in the statement of operations or in a separate statement.

Financing costs

Financing fees incurred for obtaining new loans and credit facilities are deferred and amortized to interest expense over the respective term of the loan or credit facility using the effective interest rate method. The unamortized financing costs are presented as a direct deduction of the related debt liability in the accompanying consolidated balance sheet. Finance cost related to undrawn facilities are presented as non-current assets in the accompanying consolidate balance sheet.

Capitalization of borrowing costs

Interest costs incurred to finance the cost of vessels during their construction period are capitalized to vessels under construction.

2. Significant Accounting Policies – Continued:

Recent accounting pronouncements adopted

In August 2014, the FASB issued ASU No. 2014-15 – Presentation of Financial Statements - Going Concern. ASU 2014-15, which provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The Company has adopted the provisions of ASU 2014-05 on December 31, 2016.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This update was issued to eliminate diversity in practise in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This standard is effective for public entities with reporting periods beginning after December 15, 2017, and interim periods within those fiscal years. For non-public companies, the amendments are effective for fiscal years beginning after December 15, 2018 and interim periods within fiscal years beginning after December 15. 2019. Early application is permitted including adoption in an interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The Company has elected to early adopt this update. There was no retrospective adjustment of prior year information since Company's practice is in line with amendments included in ASU 2016-15.

Recent accounting pronouncements not yet adopted

In July 2015, the FASB issued ASU 2015-11 - Simplifying the Measurement of Inventory to simplify the measurement of inventory using first in first out (FIFO) or average cost method. According to this ASU, an entity should measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices less reasonably predictable costs of completion, disposal and transportation. This update is effective for public entities with reporting periods beginning after December 15, 2016. Early adoption is permitted. For all other entities, the ASU is effective prospectively for annual periods beginning after December 15, 2016, and interim periods thereafter. Early adoption is permitted. The Company believes that the implementation of this update will not have any material impact on its financial statements and has not elected the early adoption.

In February 2016, the FASB issued the ASU 2016-02, Leases (Topic 842). The main provision of this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases. The FASB decided not to fundamentally change lessor accounting. However, some changes have been made to lessor accounting to conform and align that guidance with the lessee guidance and other areas within U.S. GAAP. The new Leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. This update is effective for public entities with reporting periods beginning after December 15, 2018, including interim periods within those years. Early adoption is permitted. The Company believes that the implementation of this standard will not have a material impact on the financial statements since revenues are generated from charter out contracts for which accounting treatment remains unchanged and has not elected early adoption.

2. Significant Accounting Policies – Continued:

Recent accounting pronouncements not yet adopted - continued

In May and April 2016, the FASB issued two Updates with respect to Topic 606: ASU 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing" and ASU 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients." The amendments in these Updates do not change the core principle of the guidance in Topic 606, which is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services by applying the following steps: (1) Identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The amendments in Update 2016-10 simply clarify the following two aspects of Topic 606: (1) identifying performance obligations and (2) licensing implementation guidance. The amendments in Update 2016-12 similarly affect only certain narrow aspects of Topic 606; namely, (1) "Assessing the Collectibility Criterion in Paragraph 606-10-25-1(e) and Accounting for Contracts That Do Not Meet the Criteria for Step 1 (Applying Paragraph 606-10-25-7)," (2) "Presentation of Sales Taxes and Other Similar Taxes Collected from Customers," (3) "Noncash Consideration," (4) "Contract Modifications at Transition," (5) "Completed Contracts at Transition," and (6) "Technical Correction." The amendments in these Updates also affect the guidance in Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606), which is not yet effective. The effective date and transition requirements for the amendments in these Updates are the same as the effective date and transition requirements in Topic 606 (and any other Topic amended by Update 2014-09). Accounting Standards Update 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," has deferred the effective date of Update 2014-09 for public business entities to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted. The new revenue standard may be applied using either of the following transition methods: (1) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (2) a modified retrospective approach with the cumulative effect of initially adopting the standard recognized at the date of adoption (which includes additional footnote disclosures). The Company will use the modified retrospective method. The Company believes that the implementation of this standard will not have a material impact on the financial statements since revenues are generated largely from short and medium charters and has not elected early adoption.

Recent accounting pronouncements - continued

In November 2016 the FASB issued the ASU 2016-18 – Restricted cash. This ASU requires that a statement of cash flows explains the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. This update is effective for public entities with reporting periods beginning after December 15, 2017, including interim periods within those years. Early adoption is permitted, including adoption in an interim period. The implementation of this update affects disclosures only and has no impact on the Company's balance sheet and statement of operations. The Company has not elected early adoption.

3. Cash and Cash Equivalents:

Cash and cash equivalents consisted of the following:

USD in thousands	December 31, 2016	December 31, 2015
Cash on hand and at banks	18,849	60,003
Short term time deposits	40,168	-
Total	**59,017**	**60,003**

Short term deposits relate to time deposit accounts with original maturity of three months or less held in banks for general purposes.

4. Inventories:

Inventories are analysed as follows:

USD in thousands	December 31, 2016	December 31, 2015
Bunkers	347	234
Lubricants	806	993
Total	**1,153**	**1,227**

5. Vessels, Net:

Vessels are analyzed as follows:

USD in thousands	Vessel cost	Accumulated depreciation	Net book value
Balance, January 1, 2015	**229,182**	**(9,918)**	**219,264**
Vessel improvements	754	-	754
Transfer from advances for vessels under construction	22,516	-	22,516
Depreciation expense	-	(11,052)	(11,052)
Impairment charge	(95,082)	20,703	(74,379)
Balance, December 31, 2015	**157,370**	**(267)**	**157,103**
Transfer from advances for vessels under construction	22,645	-	22,645
Vessels additions	14,399	-	14,399
Depreciation expense	-	(7,906)	(7,906)
Impairment charge	(728)	425	(303)
Balance, December 31, 2016	**193,686**	**(7,748)**	**185,938**

During 2015 the company took delivery of the M/V Falcon Bay, previously a hull under construction, which was delivered on August 28, 2015 for a total cost of $22,516 thousand.

During 2016 the Company took delivery of the M/V Kite Bay, previously a hull under construction, which was delivered on January 7, 2016.

5. Vessels, Net – Continued:

Furthermore, on October 11, 2016 the Company purchased the M/V Resolute Bay, a 36,767 dwt 2012 year built handysize vessel and on October 18, 2016 the Company purchased the M/V Tenacity Bay, a 56,842 dwt, 2008 built supramax vessel. Both vessels were purchased from unrelated third parties on a charter free basis.

On December 30, 2016 the company entered into a Memorandum of Agreement ("MOA") for the sale of M/V Azure Bay to an unrelated third party (refer to Note 17). However, the vessel had yet to complete a time charter and as such it was considered that the held for sale criteria discussed in guidance were not met since the vessel is not available for immediate sale.

As discussed in Note 2 above, tangible fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

The cash flows were determined for a period over the remaining estimated life of the vessels assumed to be 25 years from the delivery of the vessel from the shipyard or up to the expected vessel disposal date when an agreement is in place for such disposal.

Projected net operating cash flows as of December 31, 2016 were determined by considering the charter revenues from existing time charters for the fixed fleet days, if any, and an estimated daily time charter equivalent for the unfixed days. The Company estimated the daily time charter equivalent for the unfixed days for 2017 and 2018 utilizing future forward freight rates for similar vessels and for the remaining useful life by using the most recent twenty-year historical average for similar vessels excluding outliers, net of brokerage commissions. Expected outflows for operating expenses (including planned dry-docking and special survey expenditures) were based on historical average, assuming an average annual inflation rate of 1.7% and fleet utilization of 97%. Cash inflow from the salvage value was estimated to be $250 per light weight ton (LWT) for vessels in accordance with the Company's vessels depreciation policy.

The impairment test carried out for the M/V Azure Bay indicated that the estimated undiscounted projected net operating cash flows were less than the vessels net book value as at December 31, 2016. Therefore, the Company recognised an impairment loss of $303 thousand representing the write down of the carrying value of the impaired vessel to its fair value of $7,130 thousand as indicated by the sale agreement entered.

No impairment loss was recognized for the year ended December 31, 2016 for the remaining vessels of the fleet as the estimated undiscounted projected net operating cash flows exceeded the carrying values of the vessels as of December 31, 2016.

For the year ended December 31, 2015 the Company recognised an impairment loss of $74,379 thousand representing the write down of the carrying values of the impaired vessels to their fair value (Note 14).

All the Company's vessels except for M/V Resolute Bay with a total net book value of $177,695 thousand as at December 31, 2016, are mortgaged as security for the loan facilities, refer to Note 9.

As of December 31, 2016 other fixed assets represent office assets with a cost of $344 thousand and accumulated depreciation of $228 thousand. Depreciation charged on other fixed assets amounted to $99 thousand for the year ended December 31, 2016.

6. Advances for Vessels under Construction:

The analysis of amounts included in advance for vessels under construction is presented in the below table.

USD in thousands	Instalments to yard	Capitalised interest and supervision costs	Other capitalised expenses	Total
Balance January 1, 2015	**47,480**	**1,295**	**-**	**48,775**
Additions	38,788	3,813	1,215	43,816
Transfer to Vessels, net	(21,500)	(444)	(572)	(22,516)
Write off of capitalised expenses	-	(591)	-	(591)
Balance, December 31, 2015	**64,768**	**4,073**	**643**	**69,484**
Additions	10,563	930	523	12,016
Transfer to Vessels, net	(21,296)	(594)	(755)	(22,645)
Refunds from contract terminations	(54,035)	-	(87)	(54,122)
Transfer to current and noncurrent assets	-	-	(324)	(324)
Write off of capitalised expenses	-	(4,409)	-	(4,409)
Balance December 31, 2016	**-**	**-**	**-**	**-**

Advances for vessels under construction were reduced to nil as at December 31, 2016 from \$69,484 thousand as at December 31, 2015 due to the termination of all newbuilding contracts within first half of 2016 (Note 13) and transfer of \$22,645 thousand to Vessels, net, following the delivery of the M/V Kite Bay.

Additions to vessels under construction of \$43,816 thousand incurred during the year ended December 31, 2015 represent the scheduled payments made to the shipyard and capitalised cost for vessels under construction. Transfer to Vessels, net, of \$22,516 thousand relates to the delivery of the M/V Falcon Bay. Write off of capitalised expenses amounting to \$591 thousand relate to the termination of three newbuilding contracts within 2015, refer to Note 13.

7. Commitments and Contingencies:

(a) Various claims, suits, and complaints, including those involving government regulations and product liability, arise in the ordinary course of the shipping business. In addition, losses may arise from disputes with charterers, agents, insurance and other claims with suppliers relating to the operations of the Company's vessels. Currently, management is not aware of any such claims or contingent liabilities, which should be disclosed, or for which a provision should be established in the accompanying consolidated financial statements. The Company is a member of a protection and indemnity association, or P&I Club that is a member of the International Group of P&I Clubs, which covers its third party liabilities in connection with its shipping activities. A member of a P&I Club that is a member of the International Group is typically subject to possible supplemental amounts or calls, payable to its P&I Club based on its claim records as well as the claim records of all other members of the individual associations, and members of the International Group.

The Company accrues for the cost of environmental liabilities when management becomes aware that a liability is probable and is able to reasonably estimate the probable exposure. Currently, management is not aware of any such claims or contingent liabilities, which should be disclosed, or for which a provision should be established in the accompanying consolidated financial statements. The Company's protection and indemnity (P&I) insurance coverage for pollution is $1 billion per vessel per incident.

(b) The Company’s minimum rental payments as of December 31, 2016 are as follows:

	Twelve-month period ending December 31				
USD in thousands	**2017**	**2018**	**2019**	**2020**	**Total**
Rent	160	20	21	14	215
Total	**160**	**20**	**21**	**14**	**215**

8. Shareholders’ Equity:

On August 5, 2015 Pioneer Marine Inc. completed a second private placement (“Second Private Placement”) with the sale and issue of 7,142,857 common shares at a price of $ 3.50 per share and raised net proceeds of $24,518 thousand.

Within third quarter of 2016, the Company repurchased 837,844 of its own shares for a total amount of $606 thousand. The repurchased shares were not retired and are presented as Treasury Stock in the accompanying consolidated balance sheet.

As of December 31, 2016 and December 31, 2015 all the 576,923 warrants issued on March 18, 2014 were outstanding. These warrants expire on March 19, 2017.

9. Long Term Debt:

An analysis of long term debt is as follows:

USD in thousands	December 31, 2016	December 31, 2015
DVB Bank Ltd, ABN AMRO Bank N.V (DVB/ABN)	52,135	61,073
CIT Finance LLC (CIT)	31,627	31,627
Sinosure Facility	22,704	24,793
Commercial Facility	-	-
DVB Bank SE (DVB)	4,750	-
Total principal outstanding	111,216	117,493
Less: Deferred financing costs	(2,330)	(3,173)
Total	**108,886**	**114,320**

Presented as follows:		
Current portion of long term debt, net of deferred finance cost	14,148	6,206
Long term debt, net of deferred finance cost	94,738	108,114

The minimum annual principal payments due after December 31, 2016 in accordance with the original loan agreements and any supplemental agreements are set out below:

USD in thousands	Amount
Year	
December 31, 2017	14,933
December 31, 2018	13,610
December 31, 2019	62,745
December 31, 2020	3,149
December 31, 2021	4,519
December 31, 2022 and thereafter	12,260
Total	**111,216**

DVB/ABN: On June 16, 2014, Pioneer Marine Inc. and Pioneer Marine Trading LLC as guarantors and eight of our ship-owning subsidiaries entered into a secured term loan facility with DVB Group Merchant Bank (Asia) Ltd. and ABN AMRO Bank NV, for up to $72,000 thousand on a joint and several basis to partly refinance the purchase price of eight vessels. Each tranche of the facility is repayable in 20 quarterly instalments with a balloon payment for all tranches amounting to $36,685 thousand to be paid on the last repayment date scheduled for July 2019. The loan bears interest at LIBOR plus a margin and is secured over the respective vessels.

On May 11, 2015 the Company entered into a supplemental agreement (“First Supplemental Agreement”) whereby lenders under the DVB-ABN facility agreed to covenant test waivers for the EBITDA to debt service financial covenant for the period from December 31, 2014 to December 31, 2015 (inclusive) and the Company agreed to prepay the next four quarterly instalments falling due under the repayment schedule.

9. Long Term Debt – Continued:

On December 29, 2015 the Company entered into a supplemental agreement (“Third Supplemental Agreement”) whereby it was agreed that the financial covenant relating to the EBITDA to debt service ratio is amended in order to include a cure mechanism in case of breach of covenant (“EBITDA shortfall” as defined in the agreement), whereby the Company can place the EBITDA shortfall amount in a retention account.

On May 23, 2016 the Company entered into a supplemental agreement for the DVB/ABN facility (‘’Fourth Supplemental Agreement’’) whereby it was agreed an amendment of the Value to Loan financial covenant calculation and a waiver period of this covenant up to December 31, 2016 (not inclusive). Furthermore, it was agreed a prepayment of $5,959 thousand reducing future repayment instalments and a cash collateral amount of $7,000 thousand to be placed with the lenders.

On April 3, 2017, the Company entered into a supplemental agreement for the DVB/ABN facility (‘’Fifth Supplemental Agreement’’) whereby it was agreed that following the sale of M/V Azure Bay (Note 17) the owning company of the subject vessel would be released from its obligations under the loan agreement and all its obligations will be undertaken by the owning company of M/V Resolute Bay. Furthermore, it was agreed that the cash collateral amount of $7,000 thousand will be released to the borrowers.

CIT: On August 11, 2014, five of our ship-owning subsidiaries entered into a secured loan facility agreement with CIT for an amount up to $47,410 thousand on a joint and several basis to partially refinance the purchase price of five vessels. The loan bears interest at LIBOR plus a margin and is secured over the respective vessels.

In May 2015 CIT agreed and on June 3, 2015 the Company entered into a supplement loan agreement (“First Omnibus agreement”) whereby the lender agreed to waive the EBITDA to debt service financial covenant for a period up to March 31, 2016 (not inclusive) and to postpone testing of minimum asset coverage ratio until March 31, 2016 (not inclusive) in connection with this waiver the Company agreed to prepay the quarterly instalments due for the second, third and fourth quarter of 2015.

On December 22, 2015, the Company entered a supplement loan agreement (“Second Omnibus agreement”) whereby the lender agreed to waive the EBITDA to debt service financial covenant for a period up to March 31, 2017 (not inclusive) and to postpone testing of minimum asset coverage ratio until March 31, 2017 (not inclusive). Furthermore, the Second Omnibus agreement included amendments to the minimum liquidity and reserve requirement of the facility and provided for a prepayment in the amount of $6,950 thousand representing four quarterly repayments that were initially due during the year ended December 31, 2016 and an additional amount that will reduce the scheduled repayments in inverse order of maturity commencing with balloon payment. The prepayment occurred on December 30, 2015. Following the prepayment, the outstanding loan amount is repayable in 11 quarterly instalments commencing on March 31, 2017 with a total balloon payment of $18,885 thousand to be paid on the last repayment date scheduled for September 2019.

9. Long Term Debt – Continued:

On March 31, 2017 the Company entered into a supplemental loan agreement ("Third Omnibus agreement") whereby the lender agreed to waive the EBITDA to debt service financial covenant for a period up to June 30, 2018 (not inclusive) and to postpone testing of minimum asset coverage ratio until September 30, 2017 (not inclusive). Furthermore, the Third Omnibus agreement provided for a prepayment in the amount of $4,633 thousand representing the four quarterly repayments beginning on June 30, 2017. Following the prepayment, the outstanding loan amount is repayable in six quarterly instalments commencing on June 30, 2018 with a total balloon payment of $18,885 thousand to be paid on the last repayment date scheduled for September 2019.

Sinosure Facility: On May 19, 2015 as amended on July 22, 2015, each of six of our subsidiaries with vessels under construction together with Pioneer Marine Inc. and Pioneer Marine LLC as guarantors each individually entered into a secured loan facility with ABN AMRO Bank, N.V, Deutsche Bank AG and Norddeutche Landesbank Girozentrale aggregating an amount up to the lower of $78,300 thousand and 60% of the market value at the delivery of the vessels to provide post-delivery financing for our remaining six new buildings, with insurance cover to be provided from China Export & Credit Insurance Corporation, or Sinosure. For each facility the other five subsidiaries with vessels under construction act as guarantors. The credit facility bears interest at LIBOR plus a margin and is repayable in forty consecutive quarterly instalments each in a sum equal to one forty-eight (1/48th) of the amount of the loan, which will be advanced on each vessel's delivery, and a balloon repayment together with the final instalment, commencing three months after the delivery date of each newbuilding.

An amount of $25,065 thousand was drawn under this facility within 2015 for the partial financing of M/V Falcon Bay and M/V Kite Bay.

As a result of the cancellation of the under construction hulls (refer to Note 13), the loan facilities relating to remaining four hulls participating into this facility were cancelled and a termination fee of $261 thousand was paid.

Commercial Facility: On May 19, 2015 as amended on July 22, 2015, Pioneer Marine Inc. and Pioneer Marine LLC as guarantors and six of our subsidiaries with vessels under construction entered into a secured loan facility with ABN AMRO Bank N.V, Deutsche Bank AG and Norddeutche Landesbank Girozentrale for an amount up to the lower, of $71,775 thousand on joint and several basis and 55% of the market value at the delivery of the vessels to provide post-delivery financing for six of our new buildings. The credit facility bears interest at LIBOR plus a margin and is repayable in twenty-eight consecutive quarterly instalments each in a sum equal to one sixtieth (1/60th) of the amount of the loan, which will be advanced on each vessel delivery, and a balloon payment concurrently with the final instalment, commencing three months after the delivery date of each newbuilding.

As a result of the cancellation of the under construction hulls (refer to Note 13), the loan facilities relating to these hulls were cancelled and a termination fee of $358 thousand was paid.

DVB: On October 17, 2016 PNR Tenacity LLC entered into a secured term loan with DVB Bank SE for an amount of $4,750 thousand to partially finance the acquisition of M/V Tenacity Bay. The loan is repayable in 20 quarterly instalments with a balloon payment amounting to $1,370 thousand to be paid on the last repayment date scheduled for October 2021. The loan bears interest at LIBOR plus a margin and is secured over the respective vessel.

9. Long Term Debt – Continued:

The Company's loan facilities include, among other things, the requirement to comply with various covenants including asset coverage ratios, value to loan ratio, minimum security deposits, maintenance of minimum cash and other reserve requirements, ratio of net debt to total assets and ratio of EBITDA to debt service payable.

As of December 31, 2016 restricted cash relating to minimum cash and other reserve requirements was $22,805 thousand (December 31, 2015: $12,890 thousand).

As of December 31, 2016 the Company was in compliance with the required financial covenants under its loan agreements, as amended.

All credit facilities are secured by a first mortgage over the respective vessels and by other customary maritime securities.
Unamortized deferred finance costs amounted to $5,305 thousand as of December 31, 2015. Out of this amount $2,132 thousand relating to arrangement, commitment and other fees incurred for the undrawn facilities as at that date, were classified as non-current assets in the consolidated balance sheet.

During the year ended December 31, 2016, commitment and loan related fees of $404 thousand were incurred in connection with Company's credit facilities. During the same period amortization charge amounted to $885 thousand and write off of deferred finance fees relating to the cancelled facilities amounts to $2,494 thousand (Note 13). Unamortized deferred finance costs amount to $2,330 thousand as at December 31, 2016.

Weighted average interest rate for the year ended December 31, 2016 was 4.19%. (December 31, 2015: 4.00%)

10. Revenue, Net:

Revenue, net comprises of the following for the twelve month periods presented:

USD in thousands	**December 31, 2016**	**December 31, 2015**
Time charter revenues	27,213	21,543
Voyage charter revenues	8,569	17,817
Less: Address commissions	(1,080)	(1,228)
Total	**34,702**	**38,132**

11. Voyage and Vessel Operating Expenses:

The amounts shown in the accompanying consolidated statements of operations are analysed as follows:

USD in thousands	December 31, 2016	December 31, 2015
Voyage expenses		
Bunkers consumption	2,545	7,089
Agency costs	1,911	2,827
Commissions and other voyage costs	1,235	1,668
Total voyage expenses	**5,691**	**11,584**

USD in thousands	December 31, 2016	December 31, 2015
Vessel operating expenses		
Crew wages and expenses	16,181	14,905
Lubricants consumption	1,149	1,464
Stores, spares and repairs	3,569	3,500
Insurance	1,422	1,323
Management fee and expenses	1,646	1,535
Other operating expenses	1,940	1,681
Total operating expenses	**25,907**	**24,408**

12. Interest Expenses and Finance Costs, Net:

Interest expense and finance cost, net comprises of the following:

USD in thousands	December 31, 2016	December 31, 2015
Loan interest expense and other finance charges	4,806	4,531
Amortization of deferred finance cost	885	770
Capitalized borrowing cost	(576)	(2,759)
Termination fee & write off of deferred finance costs (Note 13)	7,231	1,116
Interest expense and finance cost, net	**12,346**	**3,658**

13. Write off of Capitalized Expenses:

On November 9, 2015 the Company terminated three newbuilding contracts for Hulls GY320, GY321 and GY322 ("2015 cancellation") with no cancellation penalty.

Capitalised expenses for these three cancelled hulls amounting to $591 thousand were expensed and presented as Write off of capitalised expenses in the accompanying consolidated Statement of Operations.

On March 17, 2016, the Company effectively terminated the shipbuilding contracts for hulls GY315 to GY319 ("First newbuilding cancellation''). All instalments and advances for equipment already paid by the Company totalling $41,222 thousand (including the three new buildings cancelled in 2015) were fully refunded within April 2016.

On May 23, 2016, the Company reached an additional agreement with the construction shipyard for the termination of two shipbuilding contracts for hulls GY313 and GY314 ("Second newbuilding cancellation''). Instalments and advances for equipment already paid by the Company in relation to these two shipbuilding contracts amounted to a total of $12,988 thousand. On July 25, 2016 out of this amount, $12,900 thousand representing instalments to yard were received by the Company.

Based on the agreements entered between the Company and the shipyard for both newbuilding cancellations, the shipyard paid to the Company an amount of $4,795 thousand representing interest income calculated from the date of payment of the respective instalments until the actual refund date.

Finally, the agreements entered for both the first and second newbuilding cancellations provided for a total cancellation fee of $8,500 thousand payable to the constructing shipyard, which was settled within 2016.

Capitalized expenses for first and second newbuilding cancellations amounting to $4,409 thousand were expensed and are presented as Write off of capitalised expenses in the accompanying consolidated Statement of Operations.

Write off of deferred finance fees and other costs amounting to $7,231 thousand during the year ended December 31, 2016 represents cancellation fees partially offset with the amount of interest agreed as well as deferred finance fees and other loan costs attributable to the borrowing agreements entered for the post-delivery financing of all cancelled new buildings (Note 9).

14. Financial Instruments:

The principal financial assets of the Company consist of cash and cash equivalents, restricted cash and trade accounts receivable. The principal financial liabilities of the Company consist of bank debt, accounts payables and accrued liabilities.

(a) ***Interest rate risk:*** The Company's bank loans are based on LIBOR and hence the Company is exposed to movements in LIBOR.

(b) ***Concentration of credit risk:*** Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of trade accounts receivable, and, cash and cash equivalents. The Company limits its credit risk with accounts receivable by performing ongoing credit evaluations of its customers' financial condition and generally does not require collateral for its trade accounts receivable. The Company places its cash and cash equivalents, with high credit quality financial institutions. The Company performs periodic evaluations of the relative credit standing of those financial institutions.

14. Financial Instruments – Continued:

(c) ***Fair value:*** The carrying values of trade accounts receivable, cash and cash equivalents, restricted cash, accounts payable and accrued liabilities are reasonable estimates of their fair value due to the short-term nature of these financial instruments. Cash and cash equivalents and restricted cash are considered Level 1 items in accordance with fair value hierarchy as they represent liquid assets with short-term maturities. The fair value of bank debt approximates the recorded value, due to its variable interest rate, being the LIBOR. LIBOR rates are observable at commonly quoted intervals for the full terms of the loans and hence bank loans are considered Level 2 items in accordance with the fair value hierarchy.

(d) ***Asset Measured at Fair Value on a Non-Recurring Basis****:* As of December 31, 2016 and December 31, 2015 the Company reviewed the carrying amount in connection with the estimated amount of each of its vessels. The review indicated that such carrying amount was not recoverable for one vessel as of December 31, 2016 and 13 of the Company's vessel as of December 31, 2015. Details of the impairment charge for each vessel are noted in the tables below.

As of December 31, 2016

Vessel	Significant Other Observable Inputs (Level 2) (amounts in $thousand)	Loss (amounts in $thousand)
Azure Bay	$7,130	$303
Total	**$7,130**	**$303**

The Company recognized the total impairment loss of $303 thousand and $74,379 thousand in the year ended December 31, 2016 and December 31, 2015, respectively, which was included in the consolidated statements of operations.

The fair value of M/V Azure Bay as at December 31, 2016 is based on the sale price agreed as per Memorandum of Agreement entered on a charter free basis (Note 5).

The fair value as of December 31, 2015 is based on the Company's best estimate of the value of each vessel on a time charter free basis, and is supported by vessel valuations of independent shipbrokers as of November 23, 2015, which are based on the sale and purchase market conditions prevailing at the time, and an adjustment to reflect management's estimate for the decrease in prices by December 31, 2015.

As of December 31, 2015

Vessel	Significant OtherObservable Inputs (Level 2) (amounts in $thousand)	Loss (amounts in $thousand)
Reunion Bay	$9,000	$5,865
Paradise Bay	$7,000	$7,046
Eden Bay	$9,000	$6,655
Fortune Bay	$7,250	$7,267
Mykonos Bay	$10,250	$6,765
Emerald Bay	$9,500	$7,140
Azure Bay	$7,850	$6,773
Teal Bay	$9,000	$7,204
Calm Bay	$9,000	$6,437
Ha long Bay	$9,000	$7,655
Jupiter Bay	$16,000	$1,827
Venus Bay	$16,000	$1,852
Orion Bay	$16,000	$1,893
Total	**$134,850**	**$74,379**

The Company did not have any other assets or liabilities measured at fair value on a non-recurring basis during the years ended December 31, 2016 and 2015.

15. Net Loss Per Share:

	Year ended December 31, 2016	Year ended December 31, 2015
Net loss (USD in thousands)	(27,233)	(96,92
Weighted average number of common shares outstanding, basic and diluted	29,945,418	26,084,97
Net loss per share, basic and diluted in USD	**(0.91)**	**(3.72)**

The computation of basic and diluted loss per share is based on the weighted average number of common shares outstanding during the period presented in the table above. The Company excluded the effect of the 576,923 warrants in calculating dilutive loss per share for the year ended December 31, 2016 and December 31, 2015, as they were anti-dilutive.

16. Taxes:

The entities which are incorporated in the Republic of the Marshall Islands are not subject to Marshall Islands' income tax in accordance with the income tax laws of the Marshall Islands.

In addition, pursuant to § 883 of the Internal Revenue Code of the United States (the "Code"), U.S. source income from the international operation of ships is generally exempt from U.S. Federal income tax on such income upon meeting certain requirements.

The Company does not meet the exemption requirement and as a result, the Company does not qualify for exemption under § 883 of the Code from the 4 % U.S. Federal income tax on its U.S source gross transportation income which for the year ended December 31, 2016 amounted to $71thousand (2015: $33 thousand) and is included under other expenses and taxes, net in the consolidated statement of operations.

Finally, other minor taxes amounting to $44 thousand (2015: $35 thousand) are included under other expenses and taxes, net in the accompanying consolidated statement of operations.

17. Subsequent Events:

On April 3, 2017, the sale of M/V Azure Bay was completed and the vessels was delivered to its new owners.

Subsequent events have been evaluated through April 7, 2017 the date that the financial statements were available to be issued.